

The TEX Report

Daily News For Your Trade Exploration.
Published daily except on Saturdays,
Sundays & national holidays.



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Vol.42, No. 9921

NEWS DIGEST

Friday, March 5, 2010

Delay In Eagle Downs Project In Queensland May Be Inevitable =Conflict between Aquila & Vale over change of loading port=

It has become very likely that starting-up of coal production at Eagle Downs Project would be significantly delayed from the initial plan.

Over the issue of loading port of metallurgical coal produced at Eagle Downs Project, viewpoints of Aquila Resources Ltd. of Australia and Vale of Brazil each owning 50 percent interest in the project are now strongly confronting each other.

According to the initial plan, metallurgical coal produced at Eagle Downs Project had been supposed to be exported from Abbott Point Coal Terminal (APCT) through Northern Missing Link railway to be completed in 2012.

Based on the hypothesis of loading at APCT, Aquila and Vale had been supposed to sign infrastructure agreement by 26th February and to cooperate with construction of Northern Missing Link railway and expansion of APCT.

Since Vale in these days has come to insist on change of loading port from APCT to Dalrymple Bay Coal Terminal (DBCT), both companies failed to sign the infrastructure agreement within the period decided upon beforehand. In consequence, Aquila is strongly criticizes Vale's activity as a breach of the Joint Venture agreement.

Eagle Downs Project is to develop undeveloped underground concession (Eagle Downs concession) located 25 km south east of Moranbah in Queensland and to export metallurgical coal produced at the concession to the Asian Region including Japan. According to the current schedule, small scale coal production is to be started at the concession within 2012 for full scale operation by longwall system to be started in 2014.

At Eagle Downs concession, salable coal production by 4,600,000 MT per year is expected upon introduction of the first longwall system. In addition the second longwall system is to be introduced in future for salable coal production of 8,000,000 MT per year.

At this stage, however, it seems difficult to launch Eagle Down Project as initially scheduled unless the problem of loading port would be resolved earlier.